

# Indirect Cost Recovery

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- Authority: Appropriation Act § 4-2.03(a)
- References:
  - CAPP Manual
  - OMB Circulars A-21 and A-87
  - ASMB C-10

# Indirect Cost Recovery

- What are indirect costs?
  - Indirect costs are expenditures incurred for a joint purpose that benefit more than one cost objective.
  - Indirect costs are divided between agency and statewide.



# Statewide Indirect Cost Allocation Plan

- Identifies costs of central support services to agencies and institutions
- Allocates only General Fund support to agencies with federal programs
- OMB Circular A-87 is Federal guideline
- Net central service fixed costs included in agency indirect cost proposal
- Used only by those agencies that receive federal grants and contracts

# Statewide Indirect Cost Allocation Plan

- Agencies and institutions recover indirect costs from federal government
- U. S. Department of Health and Human Services reviews and approves SICAP
- Auditor of Public Accounts reviews SICAP
- DOA posts SICAP on web after DHHS approval

# Full Costing SICAP Objectives

- Identify costs of central support services to agencies and institutions
- Allocate General Fund support to nongeneral, nonfederal programs
- Those assessed have chance to comment on calculations
- Final Assessment Schedule in Appropriations Act "Transfers" section
- Reviewed and approved by DPB



# DOA's ICR Role

- Prepare Federal and Full Costing SICAPs
- Monitor indirect cost recoveries monthly
- Prepare Indirect Cost section of the Quarterly Report
- Assist agencies
- Review year-end closing reconciliations
- Prepare year-end adjusting entries

# Fiscal Officer's ICR Role

- Recover indirect costs if allowable
- Record indirect cost recoveries and transfer entries monthly
- Maintain adequate documentation to monitor indirect cost recovery
- Ensure that year-end balances are correct
- Complete year-end reconciliations of indirect cost recovery



# ICR Internal Controls (1 of 3)

- Ensure unallowable costs are not charged to federal awards, directly or indirectly
- Review the agency organizational structure to determine the appropriate proposal methodology

## Internal Controls for ICR (2 of 3)

- Prepare an indirect cost rate proposal or plan according to OMB circulars
- Ensure indirect cost rate proposal or plan is submitted, negotiated, and approved by cognizant agency in a timely manner
- Apply the approved indirect cost rate against grant awards

## ICR Internal Controls (3 of 3)

- Correctly record timely indirect cost recoveries and transfer entries in CARS
- Retain work papers to support indirect cost rates or plans
- Maintain documentation concerning the restriction of indirect cost recovery from any grants or contracts



# References (1 of 2)

- CAPP Manual [Topic 20705](#), *Indirect Cost Recovery*
- Appropriation Act § 4-2.03(a)
- Statewide Indirect Cost Allocation Plan  
[www.doa.virginia.gov/Financial\\_Reporting/SICAP/SICAP\\_Main.cfm](http://www.doa.virginia.gov/Financial_Reporting/SICAP/SICAP_Main.cfm)
- DOA Directive 2-05, Attachment 24, *Direct Billed Central Services*  
[www.doa.virginia.gov/Financial\\_Reporting/Directives/Directives\\_Main.cfm](http://www.doa.virginia.gov/Financial_Reporting/Directives/Directives_Main.cfm)
- Office of Management and Budget, [Circular A-21](#), *Cost Principles for Educational Institutions*, 05/10/04

## References (2 of 2)

- Office of Management and Budget, [Circular A-87](#), *Cost Principles for State, Local, and Indian Tribal Governments*, 05/10/04
- U. S. Department of Health and Human Services, [Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government](#), 04/08/97

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